Weekly Economic Review

Alberta posts strong growth in 2014

Real GDP by Expenditure

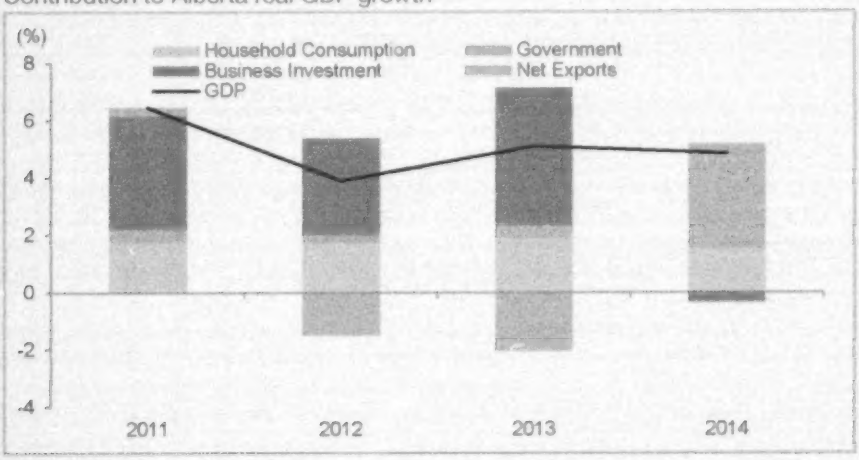
Strong growth despite oil shock last year

Alberta's real GDP increased by 4.8% in 2014, extending a five year stretch of 5% average annual growth. Alberta led all provinces, expanding at nearly double the national pace of 2.5%. The economy was supported by robust household consumption and exports (Chart 1). Investment was flat after 4 years of double digit growth. Population growth spurred 8.4% growth in residential investment. Alberta again posted the largest provincial gains for employee compensation at 7.0% and household disposable income at 6.6%. Alberta also led the provinces with 17% growth in net operating surplus for corporations.

After Alberta, the three provinces posting the highest GDP growth in 2014 were British Columbia (3.2%), Ontario (2.7%) and Manitoba (2.3%).

Chart 1: Household consumption and exports drive growth

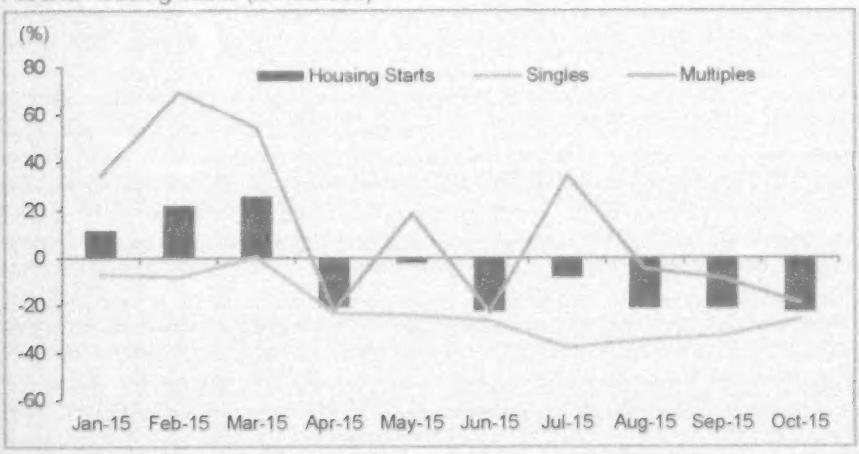
Contribution to Alberta real GDP growth



Source: Statistics Canada

Chart 2: Housing starts continue to weaken

Alberta housing starts (annualized)



Source: Canada Mortgage and Housing Corporation

New House Price Index

New houses sell for less

Year-over-year growth in Alberta's New Housing Price Index continued to weaken. Growth fell to -0.3% year-over-year (y/y) in September, after being unchanged in August and slowing substantially from 3.6% in December 2014. The deceleration was due to Calgary prices falling by 0.5% y/y in September, after leading the country in 2014. Prices in Edmonton were unchanged in September, and have been essentially flat since mid-2010.

Housing Starts

Housing starts decline again

Alberta housing starts fell to 31,770 (annualized) during October, down 23% year-over-year (Chart 2). The province's housing market has struggled for most of 2015, pushing starts down 7.5% year-to-date (YTD). The slowdown has hit Calgary, where starts have fallen 25% y/y and were down 28% since January. Starts in Edmonton were down by 13% y/y. Single family home starts continue to trend below last year, down 30% y/y in October. Multi-family units had been strong in early 2015 but fell to the lowest level of the year in October, down 19% y/y.

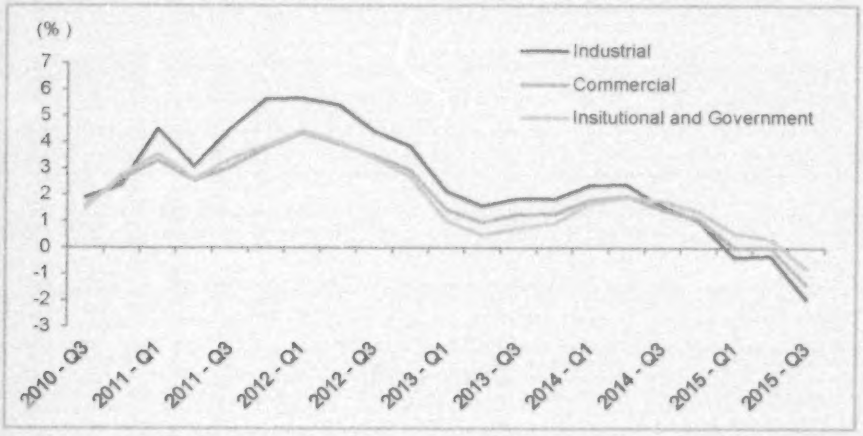
Canadian housing starts fell by 14% to 198,065 in October after reaching a three year high in September. Canadian starts were up 9.6% y/y, and were up 2.5% year-to-date.

Construction Cost Index

Cost pressures ease

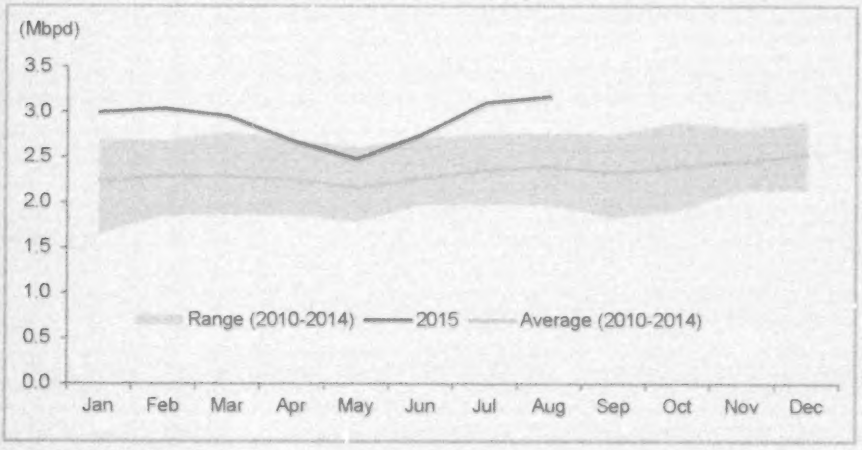
In the third quarter, Alberta's non-residential construction index fell 1.4%, the largest decline since the start of 2010 (Chart 3). Slowing investment across the province is easing cost pressures with industrial construction costs falling 2% y/y, government and institutional costs falling 0.8% y/y and commercial costs down 1.4%. Both Edmonton and Calgary saw decreases in non-residential construction costs. In Edmonton, construction costs declined for the third straight quarter, down 1.6% y/y. Calgary had its first decline since 2010 as costs fell 1.2% y/y.

Chart 3: Non-residential construction cost pressures continue to wane
Year-over-year change in non-residential construction cost index



Source: Statistics Canada

Chart 4: Crude oil production continues to grow
Year-over-year change in Alberta crude oil supply



Source: Statistics Canada

Supply and Disposition of Crude Oil

Non-conventional production remains strong

Production is up for a third month after declining in the spring due to unexpected maintenance and fire-related disruptions. Alberta's crude oil production increased by 15% y/y to 3.2 million barrels per day in August (Chart 4). Year-to-date, crude oil production is now up 6.7%. Growth was driven by oilsands activity including a 22% y/y gain in non-conventional production.

Synthetic (upgraded bitumen) production was up 29% y/y, the largest increase since March 2013. Bitumen production rose 17%, and has steadily increased since the end of 2009. Conventional oil production continued to fall and was down 13% y/y. Natural gas production was down by 1.4% in August.

Refined Petroleum Products

Refining margins widen

Alberta refinery production in August was up 4.3% year-over-year. Gasoline production increased by 8.4% y/y after declining in July while diesel production fell by 0.8% y/y. Gas and diesel account for almost three-quarters of refinery output. Oil prices have fallen faster than gasoline prices, leading to higher margins. Margins on gas refining were up 53% y/y, reaching a new record of 50 cents per litre, while diesel margins edged down 1.7% y/y.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.